

**UNIFIED FIRE AUTHORITY**  
**BASIC FINANCIAL STATEMENTS**  
**June 30, 2006 and 2005**

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# WISAN, SMITH, RACKER & PRESCOTT<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Unified Fire Authority

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Unified Fire Authority (UFA) as of June 30, 2006, and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of UFA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Unified Fire Authority as of June 30, 2006 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006, on our consideration of UFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UFA's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Wisan Smith Racker & Prescott, LLP*

Salt Lake City, Utah  
November 7, 2006

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# UNIFIED FIRE AUTHORITY

## Management's Discussion and Analysis (Unaudited)

As management of Unified Fire Authority (UFA), we offer readers of UFA's financial statements this narrative overview and analysis of the financial activities of UFA for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the financial statements.

### Financial and Operational Highlights

The assets of UFA exceeded its liabilities at June 30, 2006 by \$8,010,393 (*net assets*). This amount is an 81% increase from the previous year. The key factors for the increase were the transfer of capital assets from Salt Lake County and the efficient management of UFA's operations. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus contributing to the increase in net assets.

The portion of net assets which represents the amount UFA can use to meet on-going financial obligations is the *unrestricted net assets*. This amount was \$3,846,641 at June 30, 2006. For more details about *unrestricted net assets* please see explanation below under the heading "Government-wide financial statements".

The *unreserved fund balance* as reported in the fund level statements is roughly equivalent to the unrestricted net assets reported in the government-wide financial statements and represents the amount actually available for appropriation and spending. This amount was \$4,013,546. Unreserved fund balance represents 9% of total fund expenditures.

During the reporting year, the UFA took delivery of 20 new fire fighting apparatuses valued at approximately \$8,000,000. These new apparatuses have significantly upgraded the heavy vehicle fleet and reflect the approved policy of the UFA Board to implement a seven year rotation of heavy fleet apparatuses. An additional two apparatuses were ordered before the end of the fiscal year for delivery in the subsequent year.

A new station, Fire Station 121, was completed and opened in Riverton.

UFA's Wildland Bureau had its biggest year on record, with over \$2,000,000 in revenues.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to UFA's basic financial statements. UFA's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of UFA's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of UFA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of UFA is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement on an accrual basis. Cash flow from such transactions could impact future fiscal periods.

# UNIFIED FIRE AUTHORITY

## Management's Discussion and Analysis (Unaudited)

The government-wide financial statements identify functions of UFA that are principally supported by taxes and intergovernmental revenues, as *governmental activities*. Revenues designed to recover all or a significant portion of the activity costs are identified as *business-type activities*. The governmental activities of UFA are fire suppression, fire prevention, fire training, EMS support, hazmat services, arson/bomb investigations, and emergency management. UFA currently does not have any business-type activities.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. UFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of UFA are governmental funds.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* in the fund financial statements with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

UFA maintains two major funds under governmental funds. These funds are the Fire Fund and the Emergency Services Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these two funds.

### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Required Supplementary Information

UFA adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

### Government-wide Financial Statements Analysis

As noted earlier, net assets may serve over time as a useful measurement to assist with understanding the financial position of UFA. At the close of June 30, 2006, assets exceeded liabilities by \$8,010,393.

# UNIFIED FIRE AUTHORITY

## Management's Discussion and Analysis (Unaudited)

### Statement of Net Assets

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current and other assets	\$ 8,599,214	\$ 8,117,467
Capital assets, net of depreciation	<u>11,049,300</u>	<u>1,035,880</u>
Total Assets	<u>19,648,514</u>	<u>9,153,347</u>
<b>Liabilities</b>		
Current and other liabilities	2,347,582	2,340,512
Long-term liabilities	<u>9,290,539</u>	<u>2,382,403</u>
Total Liabilities	<u>11,638,121</u>	<u>4,722,915</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	4,163,752	1,035,880
Unrestricted	<u>3,846,641</u>	<u>3,394,552</u>
Total Net Assets	<u>\$ 8,010,393</u>	<u>\$ 4,430,432</u>

UFA's net assets invested in capital assets, net of related debt, is \$4,163,752, or 52% of total net assets. The investment in capital assets is comprised of computers, furniture, machinery, light vehicles, and fire apparatus. Although UFA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

### Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Program revenues	\$34,719,561	\$34,208,635
Program expenses	<u>(34,206,729)</u>	<u>(32,704,343)</u>
Net program revenues	512,832	1,504,292
General revenues, net	<u>471,839</u>	<u>245,704</u>
Income (loss) before capital contributions	984,671	1,749,996
Capital contributions and grants	<u>2,595,290</u>	<u>2,680,436</u>
Change in net assets	3,579,961	4,430,432
Net assets - beginning	<u>4,430,432</u>	-
Net assets - ending	<u>\$ 8,010,393</u>	<u>\$ 4,430,432</u>

Key factors for the increase in net assets are as follows: better than expected cash flows, higher investment earnings, an active wildland season resulting in higher billings, and a large capital assets transfer from Salt Lake County.

# UNIFIED FIRE AUTHORITY

## Management's Discussion and Analysis (Unaudited)

### Financial Analysis of UFA's Governmental Funds

As of June 30, 2006, the aggregate fund balance of UFA's governmental funds was \$6,251,632, an increase of approximately 8% over fiscal year 2005. Approximately 64% of the aggregate fund balance, or \$4,013,546, is undesignated and is available for appropriation by the UFA Board. The remainder of the fund balance is either reserved or designated and is not available for new spending because it has already been committed.

### **Budgetary Highlights**

Differences between the original budget and the final amended budget can be summarized as follows:

- increases in federal/state grants in both funds, totaling \$220,218
- increase in billings for Wildland firefighting services of \$300,000
- decrease in fees from Riverton City of \$1,173,731 and an increase in fees from Salt Lake Valley Fire District of \$641,369 (the net effect of an increase of \$1,141,369 to the fire district due to Riverton's annexation into the District and a \$500,000 decrease due to reduction of capital improvement charges)
- decrease in fees from Taylorsville of \$265,472 due to a budgeted change in mid-year staffing which did not occur, and
- appropriation from Fund Balance of \$36,372 due to grant received in prior year for purchase of equipment expended in current year.

### Capital Asset and Debt Administration

#### **Capital Assets**

UFA's investment in capital assets for governmental activities at June 30, 2006, was \$11,049,300 (net of depreciation). During this year, UFA lease-purchased the following: 2 new combination on/off road pumpers, 16 new engines, a new 75' Quint, and a new Heavy Rescue engine. Additionally, capital assets with a gross value of \$13,057,711 and accumulated depreciation of \$11,169,343 (net value of \$1,888,368) were transferred to UFA from Salt Lake County. These assets were physically transferred to UFA upon its inception, but the titles to the assets were not transferred until this year, thus the timing difference for booking the assets and related depreciation. Additional information on UFA's capital assets is available in the notes to the financial statements.

#### Capital Assets

	<u>2006</u>	<u>2005</u>
Computer software and equipment	\$ 123,129	\$ 123,129
Furniture and fixtures	14,018	14,018
Machinery and equipment	1,662,042	1,336,007
Transportation equipment	<u>21,763,803</u>	<u>35,501</u>
	23,562,992	1,508,655
Less: accumulated depreciation	<u>12,513,692</u>	<u>472,775</u>
Net Capital Assets	<u>\$11,049,300</u>	<u>\$1,035,880</u>

# **UNIFIED FIRE AUTHORITY**

## **Management's Discussion and Analysis (Unaudited)**

### **Long-term Debt**

UFA entered into a Master Lease Agreement for the acquisition of new fire apparatus this year. The total long-term debt incurred will be \$9,263,289 (includes interest of \$1,324,863) with annual payments to be made over 7 years. In fiscal year 2007, UFA entered into another Master Lease Agreement for the acquisition of 2 new Quints. That long-term debt will be \$1,394,259 (includes interest of \$169,259).

### **Economic Factors and Next Year's Budgets and Rates**

UFA Command Staff published a Strategic Plan in 2006. This document will be a guide to direct constant improvement in the four listed major goals. Those goals are: Improve Emergency Response, Increase Emergency Preparedness, Improve Employee Safety and Improve Operational Effectiveness. An update on UFA's accomplishments so far was presented to the UFA Board in October 2006. Regular updates will be reported to the Board in the future. This Strategic Plan will also act as a guide in prioritizing future budgets and spending.

Growth has been and will continue to be a major factor in UFA planning, budgeting and operations. Growth in UFA's existing jurisdiction, the West Bench project and the potential for other cities to join the UFA, could result in significant growth for UFA in the next 20 years. Command Staff recognizes this potential and anticipates such growth in its long term planning.

As UFA members' population base continues to grow, the demand for new fire stations and the corresponding employees to staff them will grow. Fire Station 121 was completed and opened in Riverton this year. It houses an Engine Company as well as a Heavy Rescue Unit with 5 firefighters on duty per shift. UFA anticipates new stations will be built by its members in the near future in Emigration Canyon and Draper. Design work will begin soon on new stations in Holladay, Herriman, Millcreek, Big Cottonwood Canyon and Magna. Long term plans call for an additional three to five stations in other locations throughout the UFA to meet coverage goals. These facilities are critical in order to maintain UFA's ISO rating as identified in the UFA interlocal agreement.

The 2006 fire season was the biggest year on record for the Wildland Bureau with over \$2,000,000 in revenue. The Wildland Bureau continues to expand. To facilitate that expansion, a new facility will be constructed at the UFA training facilities in Magna, Utah, to accommodate its needs. The funds to construct this facility will be derived from wildland revenue. Additional Wildland Bureau facilities are planned for the future in the Herriman area, on property owned by UFA.

Plans are being developed to move the medical section of the UFA Training Division from the Emergency Operation's Center to the Magna training facilities as well. Modular buildings will be used until permanent facilities can be funded. With the anticipated growth and the anticipated retirement of many existing employees, the training of new firefighters and paramedics is essential.

The apparatus replacement program is well underway. This program greatly facilitates the successful delivery of service. The Board has approved a 7-year rotation program for the heavy fleet in order to provide modern, safe and reliable apparatuses. An important factor considered by the Board was the high cost of maintaining the older apparatuses. These costs had risen to over \$900,000 in the final year of Salt Lake County Fire's existence. Some of the equipment was over 30 years old and parts were difficult to find. The first 20 pieces of new apparatuses have been delivered and placed in service. The second-year order of two apparatuses has been placed and a detailed replacement schedule has been provided to the Board for future consideration. The replacement schedule will be updated as new stations come on line.



# **UNIFIED FIRE AUTHORITY**

## **Management's Discussion and Analysis (Unaudited)**

The provision of emergency ambulance service will be evaluated with the expected release of a request for proposals in calendar year 2007. The decisions made by the UFA Board on this issue will have significant impact on the ambulance service in the UFA as well as a significant financial impact on future budgets due to the opportunities to increase revenue.

An emphasis has been placed this past year on reducing costs due to injuries. This has been accomplished through the purchase of critical safety equipment. UFA employees were provided with self-contained breathing apparatus containing built in communication devices. Light weight air cylinders and new turn-out equipment were also purchased. The latest technology in safety boots is being used at fire and emergency scenes to reduce fatigue. All of these factors help to reduce costs due to injuries.

The UFA Command Staff has been very conscientious about its fiduciary duty in spending taxpayers' dollars. The fact that UFA has built a healthy fund balance within the first two years of its existence is due in large part to careful management of the UFA budget from a planning and daily operations perspective. Future budget planning will become more refined with additional years of experience.

### **Requests for Information**

This financial report is designed to provide a general overview of UFA's finances for all those with an interest in UFA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, 3380 South 900 West, Salt Lake City, UT, 84119.

**UNIFIED FIRE AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 207,979	\$ 1,626,003
Public Treasurer's Investment Fund	6,787,503	5,161,277
Receivables	1,587,600	800,158
Deposits	16,132	530,029
Capital Assets, net of depreciation	<u>11,049,300</u>	<u>1,035,880</u>
<b>TOTAL ASSETS</b>	<u>19,648,514</u>	<u>9,153,347</u>
<b>LIABILITIES</b>		
Accounts payable	763,851	1,069,626
Accrued liabilities	1,583,731	1,270,886
Noncurrent liabilities		
Due within one year	1,031,424	-
Due in more than one year	<u>8,259,115</u>	<u>2,382,403</u>
<b>TOTAL LIABILITIES</b>	<u>11,638,121</u>	<u>4,722,915</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,163,752	1,035,880
Unrestricted	<u>3,846,641</u>	<u>3,394,552</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 8,010,393</u>	<u>\$ 4,430,432</u>

*The accompanying notes are an integral part of the financial statements.*

**UNIFIED FIRE AUTHORITY**  
**STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2006**  
**With comparative totals for 2005**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue &amp; Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>	<u>Comparative Total - 2005</u>
<b>Governmental activities:</b>						
Fire protection and emergency services	<u>\$ 34,206,729</u>	<u>\$ 34,719,561</u>	<u>\$ 233,998</u>	<u>\$ 472,924</u>	<u>\$ 1,219,754</u>	<u>\$ 2,633,234</u>
<b>General Revenues:</b>						
Unrestricted investment earnings					383,877	175,636
Miscellaneous					43,366	43,786
Rent income					40,920	17,235
Gain/(loss) on disposal of capital assets					3,676	9,047
Capital contribution					<u>1,888,368</u>	<u>1,551,494</u>
Total general revenues					<u>2,360,207</u>	<u>1,797,198</u>
Change in net assets					<u>3,579,961</u>	<u>4,430,432</u>
Net assets - beginning					<u>4,430,432</u>	<u>-</u>
Net assets - ending					<u>\$ 8,010,393</u>	<u>\$ 4,430,432</u>

*The accompanying notes are an integral part of the financial statements.*

**UNIFIED FIRE AUTHORITY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2006  
With comparative totals for 2005**

	<b>MAJOR FUNDS</b>		<b>TOTALS</b>	
	<b>General Fund</b>	<b>Emergency Services</b>	<b>2006</b>	<b>Comparative 2005</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 106,447	\$ 101,532	\$ 207,979	\$ 1,626,003
Public Treasurer's Investment Fund	6,078,130	709,373	6,787,503	5,161,277
Receivables:				
Accounts receivable	1,408,226	138,617	1,546,843	691,089
Grants receivable	-	61,955	61,955	109,069
Less allowance for doubtful accounts	(21,198)	-	(21,198)	-
Net receivables	1,387,028	200,572	1,587,600	800,158
Due from other funds	-	65,533	65,533	21,481
Prepaid expense	16,134	-	16,134	530,029
<b>TOTAL ASSETS</b>	<b>\$ 7,587,739</b>	<b>\$ 1,077,010</b>	<b>\$ 8,664,749</b>	<b>\$ 8,138,948</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 656,412	\$ 107,439	\$ 763,851	\$ 1,069,626
Accrued expenses	1,459,818	123,915	1,583,733	1,270,886
Due to other funds	65,533	-	65,533	21,481
<b>TOTAL LIABILITIES</b>	<b>2,181,763</b>	<b>231,354</b>	<b>2,413,117</b>	<b>2,361,993</b>
<b>FUND BALANCES</b>				
Reserved for:				
Capital outlay	526,673	-	526,673	925,000
Compensated absences	646,690	85,271	731,961	840,830
Encumbrances	638,620	340,832	979,452	947,569
Unreserved	3,593,993	419,553	4,013,546	3,063,556
<b>TOTAL FUND BALANCES</b>	<b>5,405,976</b>	<b>845,656</b>	<b>6,251,632</b>	<b>5,776,955</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,587,739</b>	<b>\$ 1,077,010</b>	<b>\$ 8,664,749</b>	<b>\$ 8,138,948</b>

*The accompanying notes are an integral part of the financial statements.*

**UNIFIED FIRE AUTHORITY**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2006**

Total Fund Balances - Governmental Funds \$ 6,251,632

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet. Capital assets consist of the following:

Equipment	\$ 23,562,992	
Accumulated Depreciation	<u>(12,513,692)</u>	11,049,300

Some liabilities are not due and payable in the current year and therefore are not reported in the governmental funds balance sheet. These liabilities consist of the following:

Capital leases	(6,885,548)	
Compensated absences	<u>(2,404,991)</u>	<u>(9,290,539)</u>

Net Assets of Governmental Activities \$ 8,010,393

*The accompanying notes are an integral part of the financial statements.*

**UNIFIED FIRE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2006**  
**With comparative totals for 2005**

	MAJOR FUNDS		TOTALS	
	General Fire	Emergency Services	2006	Comparative 2005
<b>REVENUES</b>				
Member fees	\$ 27,404,039	\$ -	\$ 27,404,039	\$ 27,754,706
Paramedic contract	1,005,934	-	1,005,934	1,164,605
Fees - Wildland	2,137,373	-	2,137,373	1,164,688
Fees - Emergency services	-	3,878,715	3,878,715	3,840,310
Fees - other	16,771	16,521	33,292	92,657
Grants and donations	269,610	437,312	706,922	1,128,942
Reimbursements	164,166	96,042	260,208	191,669
Rent income	40,920	-	40,920	17,235
Interest income	327,314	56,563	383,877	175,636
Other income	38,228	5,138	43,366	43,786
<b>TOTAL REVENUES</b>	<b>31,404,355</b>	<b>4,490,291</b>	<b>35,894,646</b>	<b>35,574,234</b>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	22,913,119	2,397,902	25,311,021	23,756,673
Operations	3,673,839	1,517,467	5,191,306	4,021,849
General and administrative	2,520,757	21,620	2,542,377	2,370,086
Debt service	1,323,327	-	1,323,327	584,527
Capital outlay	8,287,888	708,738	8,996,626	-
<b>TOTAL EXPENDITURES</b>	<b>38,718,930</b>	<b>4,645,727</b>	<b>43,364,657</b>	<b>30,733,135</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<b>(7,314,575)</b>	<b>(155,436)</b>	<b>(7,470,011)</b>	<b>4,841,099</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Initial contribution	-	-	-	926,809
Proceeds from long-term debt	7,941,012	-	7,941,012	-
Sale of capital assets	3,676	-	3,676	9,047
Transfers in	221,764	-	221,764	196,202
Transfers out	-	(221,764)	(221,764)	(196,202)
<b>Total other financing sources (uses)</b>	<b>8,166,452</b>	<b>(221,764)</b>	<b>7,944,688</b>	<b>935,856</b>
<b>Net change in fund balance</b>	<b>851,877</b>	<b>(377,200)</b>	<b>474,677</b>	<b>5,776,955</b>
<b>Fund balance at beginning of year</b>	<b>4,554,099</b>	<b>1,222,856</b>	<b>5,776,955</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 5,405,976</b>	<b>\$ 845,656</b>	<b>\$ 6,251,632</b>	<b>\$ 5,776,955</b>

*The accompanying notes are an integral part of the financial statements.*

**UNIFIED FIRE AUTHORITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2006**

Total Net Change in Fund Balances - Governmental Funds \$ 474,677

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amount were as follows:

Capital assets transferred in	\$ 1,888,368	
Capital outlay	8,996,626	
Depreciation expense	<u>(871,574)</u>	10,013,420

The issuance of long-term debt (e.g. leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.

Issuance of long-term debt	(7,941,012)	
Repayment of long-term debt	<u>1,055,464</u>	(6,885,548)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds. These activities consist of the following:

Decrease in compensated absences	<u>(22,588)</u>
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Change in Net Assets of Governmental Activities	<u>\$ 3,579,961</u>
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**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Unified Fire Authority (UFA) was formed July 1, 2004. The political subdivision was organized under an interlocal agreement to provide fire and emergency protection services to its members' jurisdictions. UFA is a separate legal entity, with a ten member board, three of which are appointed by Salt Lake County and seven of which are appointed by member cities. As of June 30, 2006, members included Salt Lake Valley Fire District; the cities of Cottonwood Heights, Draper, Herriman, Holladay, Taylorsville and the Town of Alta. Board members serve for a specified term and cannot be removed without cause. However, as the members are unable to impose their will and are not financially accountable for UFA, UFA is not reported as a component unit of the members.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of UFA. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.



# UNIFIED FIRE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Grants associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when UFA receives cash.

#### Fund Accounting

UFA uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. UFA only uses governmental funds.

#### Governmental Funds

Governmental funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

UFA segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A statement is presented for governmental activities. This statement presents each major fund as a separate column of the fund financial statements. UFA has two major funds.

UFA has presented the following major governmental funds:

- General Fund – the general fund is the main operating fund of UFA, used for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.
- Emergency Services Fund – the emergency services fund is a special revenue fund used to account for funds received and expended for the operation of the Emergency Operations function for Salt Lake County.

#### Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased. The Public Treasurer's Investment Fund has been shown separately for convenience of presentation.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Accounts Receivable**

Accounts receivable are generally comprised of receivables on reimbursement of ambulance services, Urban Search and Rescue and Wildland operations, which are expected to be paid by private and government entities. Accounts receivable are stated at the amount management expects to collect from outstanding balances.

**Capital Assets**

Capital assets, which include various types of equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respected assets, are charged to expense.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	3 – 7 years
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No depreciation is provided on construction in progress until the asset is placed in service. UFA does not possess any infrastructure. UFA uses certain vehicles and station facilities which are owned by its members and are not reflected in capital assets.

**Compensated Absences**

For governmental funds amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave. Accumulated sick leave is paid to employees upon retirement, at a rate of 25% of the total accumulated leave.

Employees that are terminated for any reasons other than retirement are not paid for accumulated sick leave. The liability for accumulated sick pay amounts is not accrued until an employee becomes eligible for retirement.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which UFA receives value without directly giving value in return, include grant and donations. On the accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which UFA must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to UFA on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

**Expenditure Recognition**

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, UFA generally uses restricted resources first, then unrestricted resources.

**Net Assets/Fund Balances**

The difference between assets and liabilities is reported as net assets on the government-wide financial statements and fund balance on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

UFA's net assets are classified as follows:

- *Invested in capital assets, net of related debt* – This component of net assets consists of UFA's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Unrestricted* – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". Utah code 10-6-116(4) requires that entities maintain 5% of total general fund revenues as a minimum fund balance.

*Transactions Between Funds*

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in the fund financial statements, but are generally excluded from the government-wide financial statements. Interfund balances are due to timing differences.

*Use of Estimates in the Preparation of Financial Statements*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Reclassifications*

Certain reclassifications have been made to the June 30, 2005 financial statements in order to conform to the June 30, 2006 financial statement presentation.

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash, cash equivalents, and investments consisted of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents:		
Cash - net of outstanding checks	\$ (469,619)	\$ 1,063,955
Repurchase agreements	<u>677,598</u>	<u>562,048</u>
Total cash and cash equivalents	207,979	1,626,003
Public Treasurers Investment Fund	<u>6,787,503</u>	<u>5,161,277</u>
 Total cash, cash equivalents, and investments	 <u>\$ 6,995,482</u>	 <u>\$ 6,787,280</u>

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

*Deposits and investments* – Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the local government’s exposure to various risks related to its cash management activities.

*Custodial credit risk* for deposits is the risk that, in the event of a bank failure, the local government’s deposits may not be recovered. UFA does not have a deposit policy for custodial credit risk. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, UFA’s deposits had a carrying value of \$(469,619) and a bank balance of \$24,895, which is covered by federal depository insurance. Repurchase agreements in the amount of \$677,598, which is the fair value at June 30, 2006, are supported by a safekeeping receipt issued by a qualified depository but the securities are held by the investment’s counterparty, not in the name of UFA.

*Credit Risk* is the risk that the counterparty to an investment will not fulfill its obligations. UFA’s policy for limiting the credit risk of investments is to comply with the Money Management Act. UFA is authorized to invest in the Utah Public Treasurer’s Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees of the PTIF are allocated based upon the participants’ average daily balances. For the years ended June 30, 2006 and 2005, UFA had investments of \$6,787,503 and \$5,161,277, respectively, with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

*Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. UFA manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. UFA’s investment policy limits the term of investments to a maximum maturity that shall not exceed five years in order to manage its exposure to fair value losses arising from increasing interest rates. The investment policy also specifies that UFA’s investment portfolio will remain sufficiently liquid to enable UFA to meet all operating requirements which might be reasonably anticipated.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 3 - CAPITAL ASSETS**

At inception, Salt Lake County transferred capital assets with a net book value of \$624,685 to UFA.

The changes in capital assets for the years ended June 30, 2006 and 2005 are as follows:

	July 1, 2005	Additions/ Transfers In	Disposals/ Transfers Out	June 30, 2006
Capital assets being depreciated:				
Computer software and equipment	\$ 123,129	\$ -	\$ -	\$ 123,129
Furniture and fixtures	14,018	-	-	14,018
Machinery and equipment	1,336,007	326,035	-	1,662,042
Transportation equipment	35,501	21,728,302	-	21,763,803
Total capital assets being depreciated	1,508,655	22,054,337	-	23,562,992
Less accumulated depreciation for:				
Computer software and equipment	(53,637)	(19,476)	-	(73,113)
Furniture and fixtures	(555)	(1,556)	-	(2,111)
Machinery and equipment	(418,583)	(229,034)	-	(647,617)
Transportation equipment	-	(11,790,851)	-	(11,790,851)
Total accumulated depreciation	(472,775)	(12,040,917)	-	(12,513,692)
Total capital assets, net	<u>\$ 1,035,880</u>	<u>\$ 10,013,420</u>	<u>\$ -</u>	<u>\$ 11,049,300</u>
	July 1, 2004	Additions/ Transfers In	Disposals/ Transfers Out	June 30, 2005
Capital assets being depreciated:				
Computer software and equipment	\$ -	\$ 123,129	\$ -	\$ 123,129
Furniture and fixtures	-	14,018	-	14,018
Machinery and equipment	-	1,336,007	-	1,336,007
Transportation equipment	-	35,501	-	35,501
Total capital assets being depreciated	-	1,508,655	-	1,508,655
Less accumulated depreciation for:				
Computer software and equipment	-	(53,637)	-	(53,637)
Furniture and fixtures	-	(555)	-	(555)
Machinery and equipment	-	(418,583)	-	(418,583)
Transportation equipment	-	-	-	-
Total accumulated depreciation	-	(472,775)	-	(472,775)
Total capital assets, net	<u>\$ -</u>	<u>\$ 1,035,880</u>	<u>\$ -</u>	<u>\$ 1,035,880</u>

Depreciation and amortization charged for the years ended June 30, 2006 and 2005 was \$871,574 and \$173,332, respectively.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 4 - RETIREMENT PLANS**

Plan Description – UFA contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), Public Safety Retirement System (Public Safety System) for employers (without) Social Security coverage, Firefighters Retirement System (Firefighters System) which is for employers (without) Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans (collectively, the Systems or Plans) administered by the Utah Retirement Systems (“URS”). URS provides retirement benefits, annual cost of living allowances and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (“Chapter 49”) as amended, which also establishes the Utah State Retirement Office (“Office”) for the administration of URS and Plans. Chapter 49 places URS, the Office, and related plans and programs under direction of the Utah State Retirement Board (“Board”) whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for URS and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84012 or by calling 1-800-365-8772.

UFA offers its full-time employees participation in a defined contribution plan created in accordance with Internal Revenue Code Section 401(k) (the “401(k) Plan”). The 401(k) Plan is administered by URS. Employees may contribute from 1% to 100% of their annual salary up to a maximum of \$15,000 and \$14,000 for 2006 and 2005, respectively. UFA contributes 3% of the covered payroll for public service employees.

Contributions made by employees to the 401(k) Plan were \$605,192 and \$537,247 for the years ended June 30, 2006 and 2005, respectively. Contributions made by UFA to the 401(k) Plan were \$68,668 and \$57,490 for the years ended June 30, 2006 and 2005, respectively.

Funding Policy – UFA was required to contribute a percent of covered salary to the respective systems, 11.09% to the Noncontributory, 19.34% to the Public Safety Noncontributory and 7.83% to the Firefighters Systems. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

UFA contributions to the Local Government Noncontributory Retirement System for the years ended June 30, 2006 and 2005 were; for the Noncontributory System, \$112,550 and \$86,808, respectively; for the Public Safety Noncontributory, \$55,442 and \$61,251, respectively; and for the Firefighters System, \$1,232,014 and \$1,200,393, respectively. The contributions were equal to the required contributions for each year.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006 and 2005**  
**With comparative totals for 2005**

**NOTE 5 - EMPLOYEE BENEFIT PLANS**

UFA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the 457 Plan). The 457 Plan, administered by the Utah Retirement Systems and available to all UFA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to UFA or its general creditors. UFA's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the years ended June 30, 2006 and 2005 no contributions were made to the plan by UFA.

Beginning in July 2005, UFA made available to its employees a Post-Employment Health Plan (PEH Plan). The PEH Plan, administered by Nationwide Retirement Systems and available to all UFA employees, permits UFA to contribute on employees' behalf. The employees' account balances may be used to reimburse out-of-pocket medical expenses after termination or retirement. UFA is obligated to pay an equal monthly contribution for each eligible employee. UFA has no obligation or requirement for contributions after termination or retirement. PEH Plan funds are not available to UFA or its general creditors. Contributions made by UFA for each employee are fully vested in the employee's account from the date of enrollment. During the year ended June 30, 2006, UFA contributed \$87,964 to the plan.

**NOTE 6 - COMPENSATED ABSENCES**

The changes in compensated absences for the year ended June 30, 2006 are as follows:

	June 30, 2005	Increases	(Decreases)	June 30, 2006
Vacation	\$ 1,732,683	\$ 181,808	\$ (127,299)	\$ 1,787,192
Sick leave	649,720	27,807	(59,728)	617,799
Total compensated absences	<u>\$ 2,382,403</u>	<u>\$ 209,615</u>	<u>\$ (187,027)</u>	<u>\$ 2,404,991</u>



**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006 and 2005**  
**With comparative totals for 2005**

**NOTE 7 - OPERATING LEASE**

At its inception, UFA assumed a lease from Salt Lake County with a third party for warehouse space located in Salt Lake City. The lease terminates May 31, 2013. UFA paid rent of \$166,668 and \$152,779 for the years ended June 30, 2006 and 2005, respectively.

Future minimum noncancelable lease payments under the operating lease as of June 30, 2006, are as follows:

2007	\$ 166,668
2008	167,874
2009	181,142
2010	181,142
2011	181,142
Thereafter	<u>347,188</u>
	<u>\$ 1,225,156</u>

**NOTE 8 - CAPITAL LEASES**

In March 2005, UFA entered into two capital lease agreements for the acquisition of specialized transportation equipment. As of June 30, 2006, assets recorded under the leases were \$7,941,011, with \$567,897 of accumulated amortization. Amortization, included with depreciation on the financial statements, was \$567,897 for the year ended June 30, 2006. Interest expensed as a direct expense for the year ended June 30, 2006 was \$267,863.

One lease bears interest at 4.22% and requires annual payments of \$1,235,192 until January 15, 2012. The other lease bears interest at 4.59% and requires annual payments of \$88,135 until July 15, 2011. Under the terms of both leases, UFA will gain ownership at the time of its last lease payment.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 8 - CAPITAL LEASES (CONTINUED)**

The following is a schedule by years of future minimum payments required under the leases together with their present value as of June 30, 2006:

2007	\$ 1,323,327
2008	1,323,327
2009	1,323,327
2010	1,323,327
2011	1,323,327
Thereafter	<u>1,323,327</u>
Total minimum lease payments	7,939,962
Less amount representing interest	<u>(1,054,414)</u>
Present value of minimum lease payments (including \$1,031,424 classified as current)	<u>\$ 6,885,548</u>

**NOTE 9 - MEMBER TRANSACTIONS**

During the year ended June 30, 2006, Unified Fire Authority received operating fees from its members in the amount of \$27,404,039 (\$27,754,706 in 2005), which represents approximately 76% of total annual revenues (78% in 2005). Of these fees, for the years ended June 30, 2006 and 2005, \$16,461,197 and \$19,460,087, respectively, were received from the Salt Lake County Fire District, which represent approximately 59% and 70% of member fees, respectively. UFA also received operating fees restricted for emergency services of \$3,878,715 and \$3,840,310 for the years ended June 30, 2006 and 2005, respectively, from Salt Lake County (the County).

From its inception, Unified Fire Authority operated under a cooperative agreement with Salt Lake County for personnel services, fleet services, telephone services, and maintenance of buildings. UFA paid the County \$54,249 for personnel services performed during the year ended June 30, 2005. Near the end of that fiscal year, UFA hired the contracted employee and terminated payments to the County for personnel services. Under the agreement, UFA participated in the Salt Lake County automotive fleet program until June 30, 2006. Vehicle replacement, fuel, and maintenance fees paid to the County during the years ended June 30, 2006 and 2005 were \$1,300,953 and \$1,473,845, respectively. UFA paid the County for building maintenance and improvements totaling \$554,501 and \$261,296 in fiscal years 2006 and 2005, respectively. UFA's accounts payable included \$215,468 and \$486,151, at June 30, 2006 and 2005, respectively, for both vehicle and building maintenance fees due to Salt Lake County.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**With comparative totals for 2005**

**NOTE 9 - MEMBER TRANSACTIONS (CONTINUED)**

The interlocal agreement organizing Unified Fire Authority provides for a sublease of the Emergency Operations Center from the County, effective July 1, 2004. Payments required under the lease consist of UFA's proportion (based on usage of facility square footage) of 9% of the total bond payment due by the County for the Salt Lake County Municipal Building Authority Revenue Bonds, Series 1999. Payments under the lease were \$681,258 and \$754,286 for the years ended June 30, 2006 and 2005, respectively.

Future minimum noncancelable lease payments under the interlocal agreement as of June 30, 2006, are as follows:

2007	\$ 720,881
2008	718,418
2009	891,159
2010	863,006
2011	657,954
2012-2016	3,378,947
2017-2021	<u>3,211,576</u>
	<u>\$ 10,441,941</u>

**NOTE 10 - SUBSEQUENT EVENTS**

In October 2006, UFA received a \$1,041,440 reimbursement from Salt Lake County for excess funding it made to the County's fleet fund for vehicle replacement charges. The Board designated these funds for UFA's impending vehicle fleet replacement, to begin in the fiscal year ending June 30, 2007.

In October 2006, the Board approved an additional capital lease agreement for the acquisition of two fire apparatus. Equipment funded by the lease is expected to be \$1,225,000, resulting in annual payments of \$199,180 through January 2013. Upon full payment of the lease obligation, ownership will transfer to UFA.

**NOTE 11 - CONTINGENCIES**

As of June 30, 2006, UFA did not have any pending litigation or potential nondisclosed liabilities.

**UNIFIED FIRE AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>REVENUES</b>				
Member fees	\$ 28,388,773	\$ 27,590,939	\$ 27,404,039	\$ (186,900)
Paramedic contract	720,000	720,000	1,005,934	285,934
Fees - Wildland	1,200,000	1,500,000	2,137,373	637,373
Fees - other	40,000	40,000	16,771	(23,229)
Grants and donations	100,956	256,929	269,610	12,681
Reimbursements - USAR	80,216	80,216	164,166	83,950
Rent income	34,320	34,320	40,920	6,600
Interest income	100,000	100,000	327,314	227,314
Other income	38,605	40,623	38,228	(2,395)
<b>TOTAL REVENUES</b>	<b>30,702,870</b>	<b>30,363,027</b>	<b>31,404,355</b>	<b>1,041,328</b>
<b>EXPENDITURES</b>				
Salaries and benefits	23,000,888	23,186,975	23,016,903	170,072
Operations	3,253,800	3,712,940	3,549,162	163,778
General and administrative	3,100,200	2,528,502	2,487,477	41,025
Debt service	1,323,327	1,323,327	1,323,327	-
Capital outlay	595,000	215,982	8,191,027	(7,975,045)
<b>TOTAL EXPENDITURES</b>	<b>31,273,215</b>	<b>30,967,726</b>	<b>38,567,896</b>	<b>(7,600,170)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<b>(570,345)</b>	<b>(604,699)</b>	<b>(7,163,541)</b>	<b>(6,558,842)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from long-term debt	-	-	7,941,012	7,941,012
Sale of capital assets	2,018	-	3,676	3,676
Transfers in	170,000	170,000	221,764	51,764
<b>Total other financing sources (uses)</b>	<b>172,018</b>	<b>170,000</b>	<b>8,166,452</b>	<b>7,996,452</b>
<b>Net changes in Fund Balances</b>	<b>(398,327)</b>	<b>(434,699)</b>	<b>1,002,911</b>	<b>1,437,610</b>
<b>Fund balance at beginning of year</b>	<b>4,554,099</b>	<b>4,554,099</b>	<b>4,554,099</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 4,155,772</b>	<b>\$ 4,119,400</b>	<b>\$ 5,557,010</b>	<b>\$ 1,437,610</b>

**UNIFIED FIRE AUTHORITY  
BUDGETARY COMPARISON SCHEDULE  
EMERGENCY SERVICES FUND  
Year ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>REVENUES</b>				
Fees - Emergency services	\$ 3,878,715	\$ 3,878,715	\$ 3,878,715	\$ -
Fees - other	30,000	30,000	16,521	(13,479)
Grants and donations	210,000	398,299	437,312	39,013
Reimbursements - USAR	80,216	80,216	96,042	15,826
Interest income	13,000	13,000	56,563	43,563
Other income	-	-	5,138	5,138
<b>TOTAL REVENUES</b>	<b>4,211,931</b>	<b>4,400,230</b>	<b>4,490,291</b>	<b>90,061</b>
<b>EXPENDITURES</b>				
Salaries and benefits	2,587,166	2,511,465	2,435,490	75,975
Operations	1,310,900	1,660,452	1,657,737	2,715
General and administrative	23,500	21,074	21,052	22
Capital outlay	120,365	702,966	714,365	(11,399)
<b>TOTAL EXPENDITURES</b>	<b>4,041,931</b>	<b>4,895,957</b>	<b>4,828,644</b>	<b>67,313</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>170,000</b>	<b>(495,727)</b>	<b>(338,353)</b>	<b>157,374</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	(170,000)	(221,764)	(221,764)	-
<b>Total other financing sources (uses)</b>	<b>(170,000)</b>	<b>(221,764)</b>	<b>(221,764)</b>	<b>-</b>
Excess of revenues/sources				
<b>Net changes in Fund Balances</b>	<b>-</b>	<b>(717,491)</b>	<b>(560,117)</b>	<b>157,374</b>
<b>Fund balance at beginning of year</b>	<b>1,222,856</b>	<b>1,222,856</b>	<b>1,222,856</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 1,222,856</b>	<b>\$ 505,365</b>	<b>\$ 662,739</b>	<b>\$ 157,374</b>

**UNIFIED FIRE AUTHORITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2006**

**NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Unified Fire Authority adopts an "appropriated budget" for the General Fund and Emergency Services Fund. UFA is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- By the first regularly scheduled Board meeting in May, UFA prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after seven days public notice of the meeting has been given.
- Prior to June 22, the budget is legally enacted through a passage of a resolution by the Board of Trustees. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end.
- Each budget is prepared and controlled by the budget coordinator at the revenue expenditure function/object level. Budgeted amounts are as amended by the Board of Trustees.
- The budgets for all funds must be filed with the Utah State Auditor within 30 days of adoption.

**UNIFIED FIRE AUTHORITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2006**

**NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**Reconciliation from Budgetary Basis to GAAP Basis**

The differences between budgetary basis and GAAP basis for the year ended June 30, 2006 are as follows:

	<u>General Fund</u>	<u>Emergency Services Fund</u>
Budgetary Fund Balances	\$ 5,557,010	\$ 662,739
Amounts reported for budgetary basis are different because:		
Encumbrances for goods and services not received until after the current fiscal year included as expenditures for budgetary purposes, not GAAP	638,620	340,832
Encumbrances for goods and services not received until after the prior fiscal year excluded from expenditures for budgetary purposes, not GAAP	<u>(789,654)</u>	<u>(157,915)</u>
Total Fund Balances	<u>\$ 5,405,976</u>	<u>\$ 845,656</u>

**WISAN, SMITH, RACKER & PRESCOTT, LLP**  
C E R T I F I E D   P U B L I C   A C C O U N T A N T S

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Board of Trustees  
Unified Fire Authority

We have audited the basic financial statements of the governmental activities and each major fund of Unified Fire Authority (UFA), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered UFA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UFA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2006-1.

This report is intended solely for the information and use of management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Wisan Smith Racker & Prescott LLP*

Salt Lake City, Utah  
November 7, 2006

MEMBER  
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MEMBER  
UTAH ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Unified Fire Authority

**Compliance**

We have audited the compliance of Unified Fire Authority (UFA), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. UFA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of UFA's management. Our responsibility is to express an opinion on UFA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UFA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of UFA's compliance with those requirements.

In our opinion, Unified Fire Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-1.

**Internal Control Over Compliance**

The management of UFA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered UFA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, Utah State Auditor's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wison Smith Rucker & Prescott, LLP*

Salt Lake City, Utah  
November 7, 2006

**UNIFIED FIRE AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2006**

Federal Grantor Agency or PassThrough Entity	Federal CFDA Number	Grant Number	2005 Expenditures
Department of Homeland Security <i>Pass Through Utah Department of Emergency Services - State Domestic Preparedness Equipment Support Programs</i>	97.004	DES-2003-SHSP	\$ 67,423
Department of Homeland Security <i>Pass Through Utah Department of Emergency Services - State Homeland Security Grant Program</i>	97.004	DES-2004-SHSP	277,043
Department of Homeland Security <i>Pass Through Utah Department of Emergency Services - State Domestic Preparedness Equipment Support Programs</i>	97.004	DES-2005-SHSP	7,819
Department of Homeland Security <i>Pass Through Utah Department of Emergency Services - Emergency Management Performance Programs</i>	97.042	DES-2005-EMPG	40,000
Department of Homeland Security <i>Pass Through Utah Department of Emergency Services - Emergency Management Performance Programs</i>	97.042	DES-2006-EMPG	25,973
FEMA <i>Pass Through Utah Division of Emergency Services and Homeland Security - Chemical Stockpile Emergency Preparedness Program (CSEPP)</i>	97.040	DES-CSEPP-2005	48,153
FEMA <i>Pass Through Utah Division of Emergency Services and Homeland Security - Chemical Stockpile Emergency Preparedness Program (CSEPP)</i>	97.040	DES-CSEPP-2006	119,872
Department of Homeland Security <i>Pass Through Utah Department of Emergency Services and Homeland Security - Local Emergency Planning Committee Grant Program</i>	20.703	DES-2005-LEPC-SLCO	4,500
Department of Homeland Security <i>Pass Through Utah Department of Emergency Services - Law Enforcement Terrorism Protection Grant</i>	97.067	DES-2005-LETP	<u>2,500</u>
Total			<u>\$ 593,283</u>

**UNIFIED FIRE AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**Year ended June 30, 2006**

1. General - The Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Unified Fire Authority. Federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.
2. Basis of Accounting - The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**UNIFIED FIRE AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2006**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Unified Fire Authority were disclosed by the audit.
4. One reportable condition relating to the audit of the major federal award programs is reported in the accompanying schedule.
5. The auditor's report on compliance for the State Homeland Security Grant program expresses a qualified opinion; the report on the remaining programs is unqualified.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The program tested as a major program includes:

Department of Homeland Security –  
State Homeland Security program

CFDA Number

97.004

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. UFA did not qualify as a low-risk auditee.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

None

## **FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT**

### **DEPARTMENT OF HOMELAND SECURITY**

State Homeland Security Program – CFDA No. 97.004

2006-1 Grant Nos. DES-2003-SHSP and DES-2004-SHSP – Year ended June 30, 2006

*Condition and criteria:* Fixed asset schedules are not maintained with the following information required by the OMB Circular A-102 Section 32(d)(1) for equipment purchased with federal funds: description including serial number or other identification, source, who holds title, percentage of federal participation in the cost, location, and condition.

*Effect:* Required asset information is not centrally located and readily available to ensure compliance with grant requirements.

*Cause:* This occurred because no procedure was in place to centralize all required asset data in compliance with grant requirements. There are no questioned costs related to this finding.

*Auditor's Recommendation:* Procedures should be established to ensure that the required information related to equipment purchased with federal funds be included in the fixed asset schedule. Such a procedure might be to include on material request forms blanks for the required information, including serial number, source of funds, title holder, percentage of federal participation, and location. Condition should be updated annually on the fixed asset schedule as well.

*Grantee Response:* Procedures will be implemented to ensure that fixed assets acquired with federal funds be included in the master fixed asset schedule. Details will include serial numbers, source of funds, title holder, percentage of federal participation, and location. This schedule will be updated annually.

**WISAN, SMITH, RACKER & PRESCOTT LLP**  
C E R T I F I E D   P U B L I C   A C C O U N T A N T S

**INDEPENDENT AUDITOR'S REPORT ON STATE OF UTAH  
LEGAL COMPLIANCE**

Board of Trustees  
Unified Fire Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of Unified Fire Authority (UFA), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 7, 2006. As part of our audit, we have audited the Unified Fire Authority's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. UFA received the following major assistance programs from the State of Utah:

Emergency Medical Services grant (Department of Health)

UFA also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the UFA's financial statements.)

Rural Fire Department Assistance grant

Our audit included testwork on UFA's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Other General Issues

The management of UFA is responsible for UFA's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about UFA's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, UFA complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Salt Lake City, Utah  
November 7, 2006

*Wisan Smith Rankin & Prescott, LLP*



**SCHEDULE OF FINDINGS ON STATE OF UTAH  
LEGAL COMPLIANCE**

**Finding**

We found during testing that two days' receipts were not deposited in the bank within three business days, as required by State guidelines.

**Recommendation**

We recommend that UFA put controls into place to ensure that all receipts are deposited within three business days.

**Response From Management**

Tighter controls have been put in place to ensure that deposits are made within three business days of receipts.

**Finding**

We noted that the general fund expended funds in excess of budget due to capital outlay acquired through issuance of a capital lease obligation.

**Recommendation**

We recommend that UFA include in the annual budget both proceeds and acquisitions related to issuance of long-term debt obligations.

**Response From Management**

Any capital lease obligation will be included in the original budget or as an amendment to the budget, if obligated after the original budget is adopted.